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# Old Factory, Snap Decision Spawn Greek-Yogurt Craze

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By SARAH E. NEEDLEMAN - (WSJ) Hamdi Ulukaya was managing his small cheese company in Johnstown, N.Y., in 2005 when he stumbled upon an advertisement that would change everything. For sale: yogurt-making plant in Columbus, N.Y. A native of Turkey, Mr. Ulukaya decided the next day that he wanted to buy the former Kraft Foods Inc. facility. Five months later, he made that happen using loans of less than \$1 million, including one backed by the Small Business Administration.

The investment in the plant led him to create yogurt company Agro Farma Inc., maker of the brand Chobani, which means "shepherd" in Turkish and Greek. He later renamed the company Chobani.

The Greek-style yogurt landed on store shelves in 2007 and is widely credited with starting a craze in the U.S. Chobani is now the No. 3 manufacturer of nonfrozen yogurt in the U.S., with about \$745.6 million in retail sales, says market research firm SymphonyIRI Group Inc. The only companies ahead of it are Yoplait and Dannon, giant brands that each have more than \$1.2 billion in annual retail sales, according to the SymphonyIRI. (Yoplait is controlled by General Mills Inc., and Dannon is owned by Groupe Danone SA.)

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Associated Press

Chobani is the No. 3 selling yogurt company in the U.S.

Greek yogurt—which is strained to remove excess liquid, leaving it thicker and creamier—now represents 28% of U.S. yogurt, up from a 16% share a year ago and a 3% share three years ago, according to UBS. The category, which is led by Chobani, will increase 40% over the next year, and 120% over the next five years, UBS forecasts.

Mr. Ulukaya expects Chobani to surpass \$1 billion in annual revenue by the end of this year. But it hasn't always been smooth going for the 1,200-employee closely held concern. Last year, the company had to pull a TV campaign because it wasn't able to produce enough yogurt to meet the demand from its wholesale customers. In March Chobani was cited by the Labor Department for alleged safety and health violations at its New York State plant.

In an interview, the 40-year-old Mr. Ulukaya discusses some of the challenges he has faced with Chobani's fast growth. Edited excerpts:

WSJ: You decided to buy the plant that produces Chobani yogurt literally overnight. What made you take such a big risk?

Mr. Ulukaya: I was always so surprised that there was no quality yogurt in the U.S., and I was sitting in my office one day when I saw an ad saying that this old yogurt plant was for sale. I thought, I can do something here, without even knowing how.

Everybody around me thought I was nuts. Here was this huge company, Kraft, getting out of this plant. If there was value in it, why would they close it? But you just have a gut feeling you can do something.

WSJ: What did you do first?

Mr. Ulukaya: I hired five people who had worked at the plant and the first thing I said was that we were going to paint the walls, because the paint was horrible and I had no other ideas. And I said turn the lights off because I had looked at the electricity bill. Then I started doing some homework on specialty yogurts.

WSJ: You spent 18 months coming up with the recipe for Chobani. What took you so long?

Mr. Ulukaya: I wanted to make sure the product was perfect because I only had one shot and it had to work. ...I hired a family friend from Turkey who is a master yogurt maker and we came up with the recipe together. He was our sixth employee.

WSJ: What was your strategy for getting into major retail stores?

Mr. Ulukaya: We came from the angle that this is a boring category that we will change, and wherever we went we had people sample the product. We didn't want to price it too high even though this type of yogurt would absolutely cost more. We use three pounds of milk to make one pound of yogurt. We said we're going to make a product that's priced right now and five years from now. We've never changed our pricing.

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Our yogurt costs between \$1.00 and \$1.30 on average.

WSJ: How did you market Chobani initially?

Mr. Ulukaya: I didn't have a budget to spend on traditional marketing. I used to answer the phones and I would hear people say 'I love this yogurt. I'm going to tell my friends and family about it.' That gave me the idea to reach out to bloggers, and to use Facebook and Twitter to have direct communication with consumers. We also had our own sampling truck that went all over the country to festivals and parades.

WSJ: You cut short your first TV ad campaign last year. Why?

Mr. Ulukaya: We ran into a capacity problem. But we're now building a plant in Idaho for close to \$300 million. And with our original plant, we're spending over \$100 million on expansion.

WSJ: Your New York facility was fined \$178,000 last spring for 34 workplace health and safety violations. What went wrong?

Mr. Ulukaya: The growth of the company has been so dramatic. We went from selling 200 cases of yogurt a week to 1.5 million. Sometimes you don't do everything 100% right in the beginning because you're learning, so you need those agencies to tell you how to improve. With their help, we have done a lot of improvement.

WSJ: What advice do you have for someone looking to start a manufacturing business today?

Mr. Ulukaya: You have to have passion because it requires a lot of sacrifices. I sacrificed my family life. I lived in the plant for the first two years. I still live in the plant.

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